

WALKERVILLE PUBLIC SCHOOLS
WALKERVILLE, MICHIGAN

FINANCIAL STATEMENTS
and
SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2008



Vredevelde Haefner LLC

WALKERVILLE PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 23, 2008

Members of the Board of Education
Walkerville Public Schools
Walkerville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walkerville Public Schools, Walkerville, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Walkerville Public Schools. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Walkerville Public Schools as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of Walkerville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walkerville Public Schools basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the basic financial statements of Walkerville Public Schools. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oradexold Haefner LLC

Management's Discussion and Analysis

As management of Walkerville Public Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial highlights

- State aid membership count declined by twenty eight students.
- Computers were purchased utilizing installment purchase financing.
- A bus purchase scheduled for 2008 was not made.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, community services, food services and athletics. The District does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data for the other seven governmental funds, which are considered to be nonmajor, are combined into a single, aggregated presentation. Individual fund information for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and all special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for governmental activities in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information is limited to this management discussion and analysis.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,037,443 at the close of the most recent fiscal year.

A significant portion of the District's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets		
	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 809,075	\$ 867,356
Capital assets	4,123,895	4,284,110
Total assets	4,932,970	5,151,466
Other liabilities	446,979	465,779
Long-term liabilities outstanding	2,448,548	2,572,375
Total liabilities	2,895,527	3,038,154
Net assets		
Invested in capital assets, net of related debt	1,705,583	1,880,462
Restricted	66,450	81,831
Unrestricted	265,410	171,712
Total net assets	\$2,037,443	\$2,113,312

Net assets of the District decreased by \$75,869. The decrease in net assets is primarily due to increasing costs with tightening revenues.

Activities		
	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue		
Charges for Services	\$ 46,680	\$ 50,488
Operating grants and contributions	965,565	986,373
Capital grants and contributions	8,946	41,092
General revenue		
Property taxes - operations	619,923	550,855
Property taxes -- debt service	123,278	127,077
Grants and contributions not restricted to specific programs	2,015,175	2,260,646
Unrestricted investment earnings	7,380	8,778
Total revenue	3,786,947	4,025,309
Expenses		
Instruction	2,092,547	2,219,330
Supporting services	1,374,469	1,575,379
Community services	7,636	2,604
Food services	213,593	180,075
Athletics	70,090	76,089
Interest	104,481	110,008
Total expenses	3,862,816	4,163,485
Increase (decrease) in net assets	(75,869)	(138,176)
Net assets-beginning of year	2,113,312	2,251,488
Net assets end of year	\$2,037,443	\$2,113,312

Governmental activities

During the year the District expended 54% of its total expenses on instruction and 36% on support services such as guidance service, transportation, building operation and maintenance and administration. The remaining 10% of expenses was paid for food service, athletics and interest on long-term debt.

Financial analysis of the government's funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$379,720, a decrease of \$39,896 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$313,270. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out. Undesignated fund balance represents 9% of total general fund expenditures and transfers out.

The fund balance of the District's general fund decreased by \$26,137 during the current fiscal year.

Budgetary Highlights

Differences between the original and final amended budgets for the general fund are as follows:

- Final allocation of federal funding was different than the estimates used in the original budget.
- Pupil accounting amended to account for federal funds award.
- Migrant education revenue and the related compensatory education expenditures increased due to higher count and for the summer grant.
- Property taxes were lower than the original estimate due to the establishment of a renaissance zone within the district. The State sources budget was increased accordingly to reflect the payment of the lost revenue which is paid to the school by the State.
- School readiness was increased with the establishment of a day care program.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$4,123,895 (net of accumulated depreciation).

The capital purchases during the year consisted primarily of computers.

The District's Capital Assets (net of depreciation) are summarized as follows:

	Governmental Activities
Land	\$ 139,874
Buildings, equipment and Vehicles	3,984,021
Total	<u>\$4,123,895</u>

Additional information on the District of the District capital assets can be found in Note 4 of this report.

Debt. At the end of the current fiscal year, the District had debt outstanding of \$2,448,548.

The Districts Debt is summarized as follows:

Durant bonds	\$ 52,825
Bonds	2,330,000
Installment purchase agreements	151,863
Compensated absences	30,236
Unamortized bond premium	(116,376)
Total	<u>\$2,448,548</u>

Additional information on the District's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for the 2008-09 fiscal year:

- No increase is expected in State aid
- Possible student count decrease - the impact of the three year student count average has helped maintain funding, but the highest of the three years will no longer be included in the average which will have a larger impact on funding.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Walkerville Public Schools, 145 East Lathrop, Walkerville, Michigan, 49459.

BASIC FINANCIAL STATEMENTS

WALKERVILLE PUBLIC SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
Assets	
Cash and investments	\$ 165,954
Due from other governments	637,929
Inventory	5,192
Capital assets, net	
Land	139,874
Buildings, furniture and equipment, and vehicles	<u>3,984,021</u>
Total assets	<u>4,932,970</u>
Liabilities	
Accounts payable	33,558
Accrued payroll	167,836
Fringe benefits payable	153,031
Unearned revenue	18,497
Notes payable	74,057
Noncurrent liabilities	
Due within one year	157,222
Due in more than one year	<u>2,291,326</u>
Total liabilities	<u>2,895,527</u>
Net assets	
Invested in capital assets, net of related debt	1,705,583
Restricted for	
Capital projects	26,568
Debt service	39,882
Unrestricted	<u>265,410</u>
Total net assets	<u>\$ 2,037,443</u>

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Instruction	\$ 2,092,547	\$ 10,000	\$ 770,429	\$ -	\$ (1,312,118)
Support services	1,374,469	5,030	22,888	8,946	(1,337,605)
Community services	7,636	-	-	-	(7,636)
Food services	213,593	19,330	172,248	-	(22,015)
Athletics	70,090	12,320	-	-	(57,770)
Interest on long-term debt	104,481	-	-	-	(104,481)
Total governmental activities	\$ 3,862,816	\$ 46,680	\$ 965,565	\$ 8,946	(2,841,625)
General revenues					
Property taxes					
Operating					491,509
Debt					123,278
Renaissance zone					128,414
Unrestricted grants and contributions					2,015,175
Interest earnings					7,380
Total general revenues					2,765,756
Change in net assets					(75,869)
Net assets, beginning of year, as restated					2,113,312
Net assets, end of year					\$ 2,037,443

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash and investments	\$ 102,569	\$ 63,385	\$ 165,954
Due from other funds	51,408	42,445	93,853
Due from other governments	625,451	12,478	637,929
Inventory	-	5,192	5,192
Total assets	<u>\$ 779,428</u>	<u>\$ 123,500</u>	<u>\$ 902,928</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 10,540	\$ 5,394	\$ 15,934
Salaries payable	167,836	-	167,836
Fringe benefits payable	153,031	-	153,031
Due to other funds	42,197	51,656	93,853
Deferred revenue	18,497	-	18,497
Notes payable	74,057	-	74,057
Total liabilities	<u>466,158</u>	<u>57,050</u>	<u>523,208</u>
Fund balances			
Unreserved			
Undesignated	313,270	-	313,270
Undesignated reported in nonmajor			
Special revenue funds	-	-	-
Debt service funds	-	39,882	39,882
Capital projects funds	-	26,568	26,568
Total fund balances	<u>313,270</u>	<u>66,450</u>	<u>379,720</u>
Total liabilities and fund balances	<u>\$ 779,428</u>	<u>\$ 123,500</u>	<u>\$ 902,928</u>

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund balances - total governmental funds	\$ 379,720
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	4,123,895
Certain liabilities, such as bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(30,236)
Deduct - bonds and installment purchases	(2,534,688)
Add - unamortized bond premium	116,376
Deduct - accrued interest on bonds and installment purchases payable	<u>(17,624)</u>
Net assets of governmental activities	<u>\$ 2,037,443</u>

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues			
Local sources	\$ 534,585	\$ 156,053	\$ 690,638
State sources	2,503,430	7,325	2,510,755
Federal sources	421,121	164,923	586,044
Total revenues	<u>3,459,136</u>	<u>328,301</u>	<u>3,787,437</u>
Expenditures			
Current			
Instruction	1,988,904	-	1,988,904
Support services	1,317,547	-	1,317,547
Community services	7,636	-	7,636
Payments to other governmental entities	39,260	-	39,260
Food services	-	210,559	210,559
Athletics	-	70,090	70,090
Capital outlay	-	3,250	3,250
Debt service			
Principal	-	116,025	116,025
Interest	-	104,896	104,896
Total expenditures	<u>3,353,347</u>	<u>504,820</u>	<u>3,858,167</u>
Revenues over (under) expenditures	<u>105,789</u>	<u>(176,519)</u>	<u>(70,730)</u>
Other financing sources (uses)			
Issuance of note payable	30,834	-	30,834
Transfers in	-	162,760	162,760
Transfers out	(162,760)	-	(162,760)
Total other financing sources (uses)	<u>(131,926)</u>	<u>162,760</u>	<u>30,834</u>
Net changes in fund balances	(26,137)	(13,759)	(39,896)
Fund balances, beginning of year	<u>339,407</u>	<u>80,209</u>	<u>419,616</u>
Fund balances, end of year	<u>\$ 313,270</u>	<u>\$ 66,450</u>	<u>\$ 379,720</u>

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balances - total governmental funds	\$ (39,896)
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	41,574
Deduct - depreciation expense	(184,011)
Deduct - net book value of disposed capital assets	(17,778)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing notes increases long-term liabilities in the statement of net assets. Repayment of bond or installment purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - Notes issued	(30,834)
Add - principal payment on State of Michigan refund claim	23,801
Add - principal payments on bonds and installment purchases payable	116,025

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(2,407)
Add - decrease in early retirement incentives	25,000
Add - decrease in accrued interest payable	415
Deduct - amortization of bond premium	<u>(7,758)</u>

Change in net assets of governmental activities	<u>\$ (75,869)</u>
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The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Local sources	\$ 568,075	\$ 531,256	\$ 534,585	\$ 3,329
State sources	2,574,550	2,507,595	2,503,430	(4,165)
Federal sources	441,954	531,075	421,121	(109,954)
Total revenues	3,584,579	3,569,926	3,459,136	(110,790)
Expenditures				
Current				
Instruction	2,023,327	2,052,003	1,988,904	63,099
Support services	1,404,058	1,353,028	1,317,547	35,481
Community services	630	8,316	7,636	680
Payments to other governmental entities	19,000	24,607	39,260	(14,653)
Total expenditures	3,447,015	3,437,954	3,353,347	84,607
Revenues over (under) expenditures	137,564	131,972	105,789	(26,183)
Other financing sources (uses)				
Issuance of note payable	-	30,834	30,834	-
Transfers out	(172,500)	(162,806)	(162,760)	46
Total other financing sources (uses)	(172,500)	(131,972)	(131,926)	46
Net changes in fund balance	(34,936)	-	(26,137)	(26,137)
Fund balance, beginning of year	339,407	339,407	339,407	-
Fund balance, end of year	\$ 304,471	\$ 339,407	\$ 313,270	\$ (26,137)

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008

	Agency Fund
Assets	
Cash and investments	\$ <u>24,576</u>
Total assets	\$ <u>24,576</u>
Liabilities	
Due to student groups	\$ <u>24,576</u>
Total liabilities	\$ <u>24,576</u>

The accompanying notes are an integral part of these financial statements.

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Walkerville Public Schools, Walkerville, Michigan (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The District is located in the counties of Oceana and Newaygo, Michigan. The District provides education and related services to approximately 350 students in grades kindergarten through 12th and adult education. The District is governed by a seven member School Board elected by District residents and is administered by a superintendent appointed by the School Board.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Walkerville Public Schools. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of capital projects.

The *Agency Fund* is used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. The District maintains one agency fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the agency fund, however the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt, compensated absences and early retirement incentives which are recognized when due.

All Governmental Funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the District superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.

WALKERVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue funds.
5. Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the District are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various functions of the District. Any amendment to the original budget must meet the requirements of Michigan Law. The District did amend its budget for the year ended June 30, 2008. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

Cash and Investments

Michigan law authorizes the District to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Due to and Due from Other Funds

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

WALKERVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the inventory is consumed.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10-45
Furniture and equipment	7-35
Vehicles	8

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Compensated Absences and Early Retirement Incentive

Liabilities related to vested sick pay are not recorded in the fund financial statements but are recorded in the statement of net assets because they are not expected to be liquidated with expendable available financial resources.

Eligible employees are entitled to early retirement incentive upon separation from the District. The accumulated early retirement incentive liability is not recorded in the fund financial statements but is recorded in the statement of net assets because it is not expected to be liquidated with expendable available financial resources.

Durant Related Issues

Under Public Act 142 of 1997, enacted in November 1997 as part of the Durant Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the Durant v. State of Michigan case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to Durant plaintiffs. Half the settlement amount was to be received in ten annual payments; the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA) or in fifteen annual payments. Walkerville Public Schools elected to participate in the special bonding program.

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the bonds shall not be in any way a debt or liability of the State of Michigan. This liability has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Debt Service Fund along with the payment of the interest and principal on the bonds.

The original bond proceeds were recorded in the Capital Projects Fund and expended for purposes specified in Section 1351a of the Revised School Code.

The remaining 50% of the settlement which is being received over ten years, beginning April 1999, is recorded in the General Fund as capital grants and transferred to capital projects. Use of these funds is restricted to specified purposes.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent amounts set aside by the School Board for tentative plans for future use.

WALKERVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

State Aid Revenue

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for 72% of the general fund revenue for the year. A certain portion of State Aid received by the District is restricted to cover specified expenses of the District, including special education costs. The unrestricted portion is for use in the general operations of the District.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical benefits to employees. The District carries commercial insurance for general liability, property and casualty, health claims, and workers compensation. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the District shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the District for these budgetary funds were adopted at the activity level. During the year ended June 30, 2008, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Payments to other governmental entities	\$24,607	\$39,260	\$(14,653)

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$165,954	\$24,576	\$190,530

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

These deposits and investments are in one financial institution located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of year end, \$16,360 of the District's bank balance of \$116,360 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk which is more restrictive than state law. Of the above cash and investments, \$117,295 was invested in overnight repurchase agreements which were uninsured, unregistered and held by the District's bank which is also the counterparty for these particular agreements.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 139,874	\$ -	\$ -	\$ 139,874
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	139,874	-	-	139,874
Capital assets, being depreciated				
Building and improvements	4,588,735	-	40,000	4,548,735
Furniture and equipment	1,408,643	41,574	-	1,450,217
Vehicles	429,793	-	-	429,793
Total capital assets, being depreciated	6,427,171	41,574	40,000	6,428,745
Less accumulated depreciation for				
Building and improvements	1,062,579	114,417	22,222	1,154,774
Furniture and equipment	849,261	48,814	-	898,075
Vehicles	371,095	20,780	-	391,875
Total accumulated depreciation	2,282,935	184,011	22,222	2,444,724
Net capital assets, being depreciated	4,144,236	(142,437)	17,778	3,984,021
Governmental activities capital assets, net	\$4,284,110	\$(142,437)	\$17,778	\$4,123,895

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	\$150,037
Supporting services	30,940
Food	<u>3,034</u>
Total depreciation expense - governmental activities	<u>\$184,011</u>

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions.

The District is required to contribute the full actuarially determined contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis. The total contribution rate was 16.72% of annual covered payroll for the year ended June 30, 2008. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were \$306,743, \$323,656, and \$306,597, respectively, equal to the required contributions for each year.

Other Post Employment Benefits

Retirees have the option of health coverage which is funded on a pay as you go basis by the plan. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension. Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

WALKERVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

6. DEBT

Short-term Debt

The following is a summary of short-term debt transactions of the District for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Michigan Municipal Bond Authority note payable in seven monthly payments with final payment due in August 2008	\$66,665	\$500,000	\$492,608	\$74,507

Long-term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities					
*\$89,464 Durant School Improvement Bonds; due in annual installments of \$4,697 to \$11,194 through 2013; interest payable at 4.76%	\$ 52,825	\$ -	\$ -	\$ 52,825	\$ 4,979
\$1,865,000 General Obligation Bonds; partially refunded in 2005, due in annual installments of \$40,000 to \$55,000 through 2009; interest payable at 5.2%	105,000	-	50,000	55,000	55,000
Claim payable due to State of Michigan; due in annual installments of \$23,801 through 2011; with no interest	95,205	-	23,801	71,404	23,801
\$59,320 Land installment purchase; due in annual installments of \$3,950 through 2017; interest payable at 4.85%	39,500	-	3,950	35,550	3,950

WALKERVILLE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
\$40,000 Dell Computer and Software installment purchase; due in annual installments of \$13,000 to \$14,000 through 2008; interest payable at 2.9%	\$ 13,000	\$ -	\$ 13,000	\$ -	\$ -
\$56,300 Bus installment purchase; due in annual installments of \$14,075 through 2009; interest payable at 2.55%	28,150	-	14,075	14,075	14,075
\$30,835 Computer installment purchase; due in annual installments of \$15,417 through 2010; interest payable at 2.85%	-	30,834	-	30,834	15,417
\$695,000 Energy Conservation Improvement Bonds due in annual installments of \$20,000 to \$55,000 through 2024; interest payable at 4.20% to 4.85%	650,000	-	25,000	625,000	25,000
\$1,680,000 General Obligation Refunding Bonds; due in annual installments of \$10,000 to \$140,000 through 2024; interest payable at 3.00% to 4.30%	1,660,000	-	10,000	1,650,000	15,000
Unamortized premium	(124,134)	-	(7,758)	(116,376)	-
	2,519,546	30,834	132,068	2,418,312	157,222
Compensated absences	27,829	2,407	-	30,236	-
Early retirement incentives	25,000	-	25,000	-	-
Total Long-term Debt	\$2,572,375	\$33,241	\$157,068	\$2,448,548	\$157,222

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The annual requirements to amortize all debt outstanding (excluding unamortized premium) as of June 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 157,222	\$ 99,898
2010	153,383	95,335
2011	148,216	90,599
2012	150,121	96,373
2013	129,946	81,016
2014-2018	720,800	319,161
2019-2023	880,000	148,309
2024	195,000	5,677
Total	<u>\$2,534,688</u>	<u>\$936,368</u>

* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Compensated absences and early retirement incentives are expected to be liquidated with general fund resources.

During fiscal year 2005, an advance refunding resulted in a defeasance of bonds. As a result, the trust account assets and the liability for the defeased bonds are not included in the Walkerville Public Schools financial statements. At June 30, 2008, \$1,540,000 of bonds outstanding are considered defeased and will be called and repaid on May 1, 2009.

7. INTERFUND TRANSACTIONS

Interfund receivables and payables are utilized to facilitate temporary cash flow needs for other funds and are disclosed in the fund financial statements.

Transfers in and out for the year ended June 30, 2008 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$162,760
Nonmajor governmental funds		
Food service special revenue	18,112	-
Athletics special revenue	56,955	-
Energy conservation bonds	53,798	-
Debt service	33,895	-
	<u>\$162,760</u>	<u>\$162,760</u>

Transfers are used to subsidize the other funds.

WALKERVILLE PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

8. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs maybe questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the District.

9. PRIOR PERIOD ADJUSTMENT

Beginning net assets on the government-wide financial statements were decreased by \$20,693 to reflect a change in the payment requirements of the Durant Schools Improvement Bonds.

10. SUBSEQUENT EVENT

Subsequent to June 30, 2008, the school issued short-term notes through the Michigan Municipal Bond Authority in the amount of \$525,000 to be repaid through August of 2009.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

WALKERVILLE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 548,825	\$ 495,795	\$ 491,509	\$ (4,286)
Library penal fines	12,000	12,000	14,085	2,085
Interest	2,500	2,500	7,380	4,880
Other	4,750	20,961	21,611	650
Total local sources	568,075	531,256	534,585	3,329
State sources				
Foundation allowance	2,229,413	2,008,125	2,007,246	(879)
Special education	62,027	71,794	78,085	6,291
At risk	216,225	177,179	177,048	(131)
Bilingual education	4,135	742	742	-
Michigan school readiness program	52,800	108,800	98,600	(10,200)
Renaissance zone	-	128,675	128,414	(261)
Other	9,950	12,280	13,295	1,015
Total state sources	2,574,550	2,507,595	2,503,430	(4,165)
Federal sources				
Title I	157,730	148,016	140,722	(7,294)
Title II	34,716	38,995	30,570	(8,425)
Title III	26,000	37,187	22,943	(14,244)
Title V	5,084	2,169	2,042	(127)
National Forest	20,000	20,000	7,929	(12,071)
Migrant education	88,225	261,401	199,052	(62,349)
CSRD grant	99,000	5,366	5,366	-
Other	11,199	17,941	12,497	(5,444)
Total federal sources	441,954	531,075	421,121	(109,954)
Total Revenues	\$ 3,584,579	\$ 3,569,926	\$ 3,459,136	\$ (110,790)

WALKERVILLE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Expenditures				
Current				
Instruction				
Elementary	\$ 624,268	\$ 606,146	\$ 606,145	\$ 1
Middle/high school	710,904	613,934	613,676	258
Pre-school	54,480	107,844	105,826	2,018
Special education	236,735	247,000	246,998	2
Compensatory education	396,940	477,079	416,259	60,820
Total instruction	<u>2,023,327</u>	<u>2,052,003</u>	<u>1,988,904</u>	<u>63,099</u>
Support services				
Guidance services	103,070	102,559	102,558	1
Social work services	6,500	21,720	21,720	-
Improvement of instruction	142,614	58,228	44,331	13,897
Educational media services	35,965	39,295	39,287	8
Supervision/director of instruction	22,295	35,040	24,809	10,231
Board of education	55,050	55,120	50,890	4,230
Executive administration	158,705	89,360	89,347	13
Principals	200,190	152,365	152,156	209
Fiscal services	59,595	60,770	60,746	24
Other business services	5,050	23,700	23,577	123
Operations and maintenance	381,615	422,249	419,198	3,051
Security	3,500	-	-	-
Transportation	162,894	172,755	170,685	2,070
Finger printing	-	3,900	3,866	34
Information management	65,515	108,548	108,358	190
Pupil accounting	1,500	7,419	6,019	1,400
Total support services	<u>1,404,058</u>	<u>1,353,028</u>	<u>1,317,547</u>	<u>35,481</u>
Community services	<u>630</u>	<u>8,316</u>	<u>7,636</u>	<u>680</u>
Payments to other governmental entities	<u>19,000</u>	<u>24,607</u>	<u>39,260</u>	<u>(14,653)</u>
Total expenditures	<u>\$ 3,447,015</u>	<u>\$ 3,437,954</u>	<u>\$ 3,353,347</u>	<u>\$ 84,607</u>

WALKERVILLE PUBLIC SCHOOLS

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2008

	<u>Special Revenue</u>		<u>Energy</u>
	<u>Food</u>	<u>Athletics</u>	<u>Conservation</u>
	<u>Service</u>		<u>Bonds</u>
Assets			
Cash and investments	\$ 4,202	\$ 1,652	\$ 1,148
Due from other funds	19,080	473	-
Due from other governments	12,044	434	-
Inventory	5,192	-	-
Total Assets	<u>\$ 40,518</u>	<u>\$ 2,559</u>	<u>\$ 1,148</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 3,083	\$ 2,311	\$ -
Due to other funds	37,435	248	-
Total Liabilities	40,518	2,559	-
Fund balances			
Unreserved	-	-	1,148
Undesignated	-	-	-
Total liabilities and fund balances	<u>\$ 40,518</u>	<u>\$ 2,559</u>	<u>\$ 1,148</u>

<u>Debt Service</u>		<u>Capital Projects</u>			
<u>2005 Refunding Bonds</u>	<u>Debt Service</u>	<u>Public Improvement</u>	<u>Energy Conservation</u>	<u>Total</u>	
\$ 39,228	\$ 9,498	\$ -	\$ 7,657	\$ 63,385	
-	-	22,892	-	42,445	
-	-	-	-	12,478	
-	-	-	-	5,192	
<u>\$ 39,228</u>	<u>\$ 9,498</u>	<u>\$ 22,892</u>	<u>\$ 7,657</u>	<u>\$ 123,500</u>	
\$ -	\$ -	\$ -	\$ -	\$ 5,394	
<u>3,732</u>	<u>6,260</u>	<u>-</u>	<u>3,981</u>	<u>51,656</u>	
3,732	6,260	-	3,981	57,050	
<u>35,496</u>	<u>3,238</u>	<u>22,892</u>	<u>3,676</u>	<u>66,450</u>	
<u>\$ 39,228</u>	<u>\$ 9,498</u>	<u>\$ 22,892</u>	<u>\$ 7,657</u>	<u>\$ 123,500</u>	

WALKERVILLE PUBLIC SCHOOLS

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue</u>		<u>Energy</u>
	<u>Food</u>	<u>Athletics</u>	<u>Conservation</u>
	<u>Service</u>		<u>Bonds</u>
Revenues			
Local sources	\$ 19,330	\$ 12,320	\$ 9
State sources	7,325	-	-
Federal sources	164,923	-	-
Total revenues	<u>191,578</u>	<u>12,320</u>	<u>9</u>
Expenditures			
Current			
Food services	210,559	-	-
Athletics	-	70,090	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	25,000
Interest	-	-	28,798
Total expenditures	<u>210,559</u>	<u>70,090</u>	<u>53,798</u>
Revenues over (under) expenditures	<u>(18,981)</u>	<u>(57,770)</u>	<u>(53,789)</u>
Other financing sources (uses)			
Transfers in	18,112	56,955	53,798
Transfers out	-	-	-
Total other financing sources (uses)	<u>18,112</u>	<u>56,955</u>	<u>53,798</u>
Net changes in fund balances	(869)	(815)	9
Fund balances, beginning of year	<u>869</u>	<u>815</u>	<u>1,139</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148</u>

<u>Debt Service</u>		<u>Capital Projects</u>			<u>Total</u>
<u>2005</u>		<u>Public</u>	<u>Energy</u>		
<u>Refunding</u>	<u>Debt</u>	<u>Improvement</u>	<u>Conservation</u>		
<u>Bonds</u>	<u>Service</u>				
\$ 74,038	\$ 50,123	\$ -	\$ 233	\$	156,053
-	-	-	-		7,325
-	-	-	-		164,923
74,038	50,123	-	233		328,301
-	-	-	-		210,559
-	-	-	-		70,090
-	-	-	3,250		3,250
10,000	81,025	-	-		116,025
67,739	8,359	-	-		104,896
77,739	89,384	-	3,250		504,820
(3,701)	(39,261)	-	(3,017)		(176,519)
-	33,895	-	-		162,760
-	-	-	-		-
-	33,895	-	-		162,760
(3,701)	(5,366)	-	(3,017)		(13,759)
39,197	8,604	22,892	6,693		80,209
\$ 35,496	\$ 3,238	\$ 22,892	\$ 3,676	\$	66,450

WALKERVILLE PUBLIC SCHOOLS

FOOD SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Local sources	\$ 21,500	\$ 22,000	\$ 19,330	\$ (2,670)
State sources	10,500	8,900	7,325	(1,575)
Federal sources	141,355	168,465	164,923	(3,542)
Total revenues	<u>173,355</u>	<u>199,365</u>	<u>191,578</u>	<u>(7,787)</u>
Expenditures				
Current				
Salaries	57,285	59,420	59,575	(155)
Fringe benefits	29,070	29,770	30,118	(348)
Supplies	5,500	14,515	13,372	1,143
Food supplies	81,000	110,980	107,494	3,486
Contracted services	500	-	-	-
Total expenditures	<u>173,355</u>	<u>214,685</u>	<u>210,559</u>	<u>4,126</u>
Revenues over (under) expenditures	-	(15,320)	(18,981)	(3,661)
Other financing sources				
Transfers in	-	15,320	18,112	2,792
Net changes in fund balance	-	-	(869)	(869)
Fund balance, beginning of year	<u>869</u>	<u>869</u>	<u>869</u>	<u>-</u>
Fund balance, end of year	<u>\$ 869</u>	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ (869)</u>

WALKERVILLE PUBLIC SCHOOLS

ATHLETICS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Local sources				
Tickets	\$ 7,600	\$ 8,615	\$ 8,724	\$ 109
Concessions	2,500	1,500	1,581	81
Other	-	325	2,015	1,690
Total revenues	<u>10,100</u>	<u>10,440</u>	<u>12,320</u>	<u>1,880</u>
Expenditures				
Current				
Salaries	40,735	40,260	40,217	43
Fringe benefits	10,785	9,930	9,799	131
Supplies	9,450	3,525	3,712	(187)
Contracted services	10,700	9,950	9,938	12
Dues and fees	<u>6,430</u>	<u>6,425</u>	<u>6,424</u>	<u>1</u>
Total expenditures	<u>78,100</u>	<u>70,090</u>	<u>70,090</u>	<u>-</u>
Revenues over (under) expenditures	(68,000)	(59,650)	(57,770)	1,880
Other financing sources				
Transfers in	<u>68,000</u>	<u>59,650</u>	<u>56,955</u>	<u>(2,695)</u>
Net changes in fund balance	-	-	(815)	(815)
Fund balance, beginning of year	<u>815</u>	<u>815</u>	<u>815</u>	<u>-</u>
Fund balance, end of year	<u>\$ 815</u>	<u>\$ 815</u>	<u>\$ -</u>	<u>\$ (815)</u>

WALKERVILLE PUBLIC SCHOOLS

AGENCY FUND DETAILED SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2008

Assets

Cash and investments	\$	<u>24,576</u>
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Liabilities

Due to student groups

Art	\$	2,644
Athletics		428
Business		7
Class of 1995		242
Class of 1996		103
Class of 1998		242
Class of 2000		72
Class of 2002		2
Class of 2004		447
Class of 2005		52
Class of 2006		65
Class of 2007		-
Class of 2008		701
Class of 2009		4,453
Class of 2010		2,173
Class of 2011		1,767
Class of 2012		2,424
Community education		3
French		48
Journalism		37
Girls basketball		370
Media tech		225
Miscellaneous		254
Golf		300
National honor society		69
Wildcat Express store		108
Student council		358
Boys basketball		4,873
Yearbook		599
Other		<u>1,510</u>

Total liabilities

	\$	<u>24,576</u>
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SINGLE AUDIT SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

October 23, 2008

Members of the Board of Education
Walkerville Public Schools
Walkerville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walkerville Public Schools, Walkerville, Michigan, (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Hoofner LLC



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 23, 2008

Members of the Board of Education
Walkerville Public Schools
Walkerville, Michigan

Compliance

We have audited the compliance of Walkerville Public Schools, Walkerville, Michigan, (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Walkerville Public Schools, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oradexeld Haefner LLC

WALKERVILLE PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (deferred) Revenue July 1, 2007	Cash Received	Expenditures		Accrued (deferred) Revenue June 30, 2008
						(Memo only) Prior Year(s)	Year Ended June 30, 2008	
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A	84.010	071530 0607	\$ 144,794	\$ 27,700	\$ 32,909	\$ 134,125	\$ 5,209	\$ -
Title I, Part A	84.010	081530 0708	142,807	-	95,626	-	135,513	39,887
Total			287,601	27,700	128,535	134,125	140,722	39,887
Migrant Education - School Year Migrant	84.011	081890 0708	101,545	-	67,703	-	98,975	31,272
Migrant Education - School Year Migrant	84.011	071890 0607	120,969	51,559	53,519	119,009	1,960	-
Migrant Education - Summer Migrant Education	84.011	081830 2008	98,795	-	-	-	39,016	39,016
Migrant Education - Summer Migrant Education	84.011	071830 2007	77,780	18,679	77,780	18,679	59,101	-
Total			399,089	70,238	199,002	137,688	199,052	70,288
Improving Teacher Quality	84.367	070520 0607	30,843	4,851	5,820	25,477	969	-
Improving Teacher Quality	84.367	080520 0708	35,418	-	13,690	-	27,955	14,265
Total			66,261	4,851	19,510	25,477	28,924	14,265
Technology Literacy Challenge Grants	84.318	074290 0607	1,486	169	169	169	-	546
Technology Literacy Challenge Grants	84.318	084290 0708	2,607	-	1,100	-	1,646	-
			4,093	169	1,269	169	1,646	546
Title V	84.298	080250 0708	2,169	-	1,218	-	2,042	824
Comp Sch Reform Demonstration Grant	84.332	061870 0607	111,350	29,189	34,555	105,984	5,366	-
English Language Acquisition	84.365A	060580 0506	47,259	14,908	14,908	47,259	-	-
English Language Acquisition	84.365A	070580 0607	18,346	(14,340)	(11,416)	-	2,924	-
English Language Acquisition	84.365A	080580 0708	34,262	-	21,716	-	20,019	(1,697)
Total			99,867	568	25,208	47,259	22,943	(1,697)
Total passed through Michigan Department of Education			970,430	132,715	409,297	450,702	400,695	124,113
Passed through Muskegon ISD	84.186A	062860	2,663	2,663	2,663	2,663	-	-
Drug Free Formula Grant	84.186A	062860	2,657	-	-	-	2,657	2,657
Total			5,320	2,663	2,663	2,663	2,657	2,657
Direct funding	84.358	2005	11,199	3,341	3,341	11,199	-	-
Rural Education Achievement Program	84.358	2006	16,247	16,247	16,247	16,247	-	-
Rural Education Achievement Program	84.358	2007	15,284	-	-	-	9,840	9,840
Total direct funding			42,730	19,588	19,588	27,446	9,840	9,840
TOTAL U.S. DEPARTMENT OF EDUCATION			1,018,480	154,966	431,548	480,811	413,192	136,610

WALKERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (deferred) Revenue July 1, 2007	Cash Received	Expenditures		Accrued (deferred) Revenue June 30, 2008
						(Memo only) Prior Year(s)	Year Ended June 30, 2008	
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Summer Food Meals	10.559	070900	\$ 13,638	\$ -	10,712	\$ -	10,712	\$ -
Summer Food Meals	10.559	071900	1,400	4,326	4,326	-	-	-
Summer Food Meals	10.559	071900	-	-	-	-	6,736	6,736
			15,038	4,326	15,038	-	17,448	6,736
National School Lunch Program								
Breakfast	10.553	071970	5,704	-	5,704	-	5,704	-
Breakfast	10.553	081970	39,813	-	39,813	-	39,813	-
			45,317	-	45,317	-	45,317	-
Total								
Sect 4 Lunches	10.555	071950	1,438	-	1,438	-	1,438	-
Sect 11 Free and Reduced	10.555	071950	10,455	-	10,455	-	10,455	-
Sect 4 Lunches	10.555	081950	9,755	-	9,755	-	9,755	-
Sect 11 Free and Reduced	10.555	081950	71,012	-	71,012	-	71,012	-
			92,660	-	92,660	-	92,660	-
Total								
Food Distribution	10.550		9,498	-	9,498	-	9,498	-
Entitlement								
TOTAL U.S. DEPARTMENT OF AGRICULTURE			162,514	4,326	162,513	-	164,923	6,736
U.S. Department of Interior								
National Forest	11.000		7,929	-	7,929	-	7,929	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR			7,929	-	7,929	-	7,929	-
Total Federal Awards			\$ 1,188,923	\$ 159,292	\$ 601,990	\$ 480,811	\$ 586,044	\$ 143,346

Notes to Schedule of Expenditures of Federal Awards

1. This schedule is presented on the accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities.
4. The amounts reported on the R7120 (Grants Section Auditor's Report) and State disbursement reports reconcile with this schedule.

WALKERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified on basic financial statements		
Internal controls over financial reporting			
Material weaknesses identified?	<u> </u> yes	<u> </u> X	no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> </u> X	none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> </u> X	no

Federal Awards

Internal control over major programs			
Material weaknesses identified?	<u> </u> yes	<u> </u> X	no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> </u> X	none reported
Type of auditors' report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u> </u> yes	<u> </u> X	no

Identification of Major Programs

CFDA Number(s)

10.553, 10.555, 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and B programs?

 \$300,000

Auditee qualified as low-risk auditee?

 X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None were reported